

EXHIBIT A

APR 22 2010

BERNARD L. MADOFF INVESTMENT SECURITIES LLC

In Liquidation

DECEMBER 11, 2008¹

NOTICE OF TRUSTEE'S DETERMINATION OF CLAIM

April 22, 2010

Emily Chais Trust #2
c/o Andrew Sherman, Esq.
Sills Cummis & Gross
One Riverfront Plaza
Newark, New Jersey 07102

Dear Emily Chais Trust #2:

PLEASE READ THIS NOTICE CAREFULLY.

The liquidation of the business of BERNARD L. MADOFF INVESTMENT SECURITIES LLC ("BLMIS") is being conducted by Irving H. Picard, Trustee under the Securities Investor Protection Act, 15 U.S.C. § 78aaa et seq. ("SIPA"), pursuant to an order entered on December 15, 2008 by the United States District Court for the Southern District of New York.

The Trustee has made the following determination regarding your claim on BLMIS Account No. 1C1022 designated as Claim Number 13775:

Your claim for a credit balance of \$32,503,010.40 and for securities is **DENIED**. No securities were ever purchased for your account.

Further, based on the Trustee's analysis, the amount of money you withdrew from your

¹ Section 78III(7)(B) of SIPA states that the filing date is "the date on which an application for a protective decree is filed under 78eee(a)(3)," except where the debtor is the subject of a proceeding pending before a United States court "in which a receiver, trustee, or liquidator for such debtor has been appointed and such proceeding was commenced before the date on which such application was filed, the term 'filing date' means the date on which such proceeding was commenced." Section 78III(7)(B). Thus, even though the Application for a protective decree was filed on December 15, 2008, the Filing Date in this action is on December 11, 2008.

account at BLMIS (total of \$4,789,549.80), as more fully set forth in Table 1 annexed hereto and made a part hereof, is greater than the amount that was deposited with BLMIS for the purchase of securities (total of \$164,428.85). As noted, no securities were ever purchased by BLMIS for your account. Any and all profits reported to you by BLMIS on account statements were fictitious.

As reflected in Table 1, certain of the transfers into or out of your account have been adjusted. As part of the Trustee's analysis of accounts, the Trustee has assessed accounts based on a money in/money out analysis (i.e., has the investor deposited more or less than he or she withdrew from BLMIS). This analysis allows the Trustee to determine which part of an account's balance is originally invested principal and which part is fictitious gains that were fabricated by BLMIS. A customer's allowed claim is based on the amount of principal in the customer's account.

Whenever a customer requested a transfer from one account to another, the Trustee analyzed whether the transferor account had principal in the account at the time of the transfer. The available principal in the account was transferred to and credited in the transferee account. Thus, the reason that the adjusted amount of transferred deposits or withdrawals in Table 1 is less than the purported transfer amount is that the transferor account did not have sufficient principal available to effectuate the full transfer. The difference between the purported transfer amount and the adjusted transfer amount is the amount of fictitious gain that was transferred to or from your account. Under the money in/money out analysis, the Trustee does not give credit for fictitious gains in settling your allowed claim.

Since there were no profits to use either to purchase securities or to pay you any money beyond the amount that was deposited into your BLMIS account, the amount of money you received in excess of the deposits in your account (\$4,625,120.95) was taken from other customers and given to you. Accordingly, because you have withdrawn more than was deposited into your account, you do not have a positive "net equity" in your account and you are not entitled to an allowed claim in the BLMIS liquidation proceeding. Therefore, your claim is **DENIED** in its entirety.

On March 1, 2010, the United States Bankruptcy Court for the Southern District of New York (Lifland, J.) issued a decision which affirmed the Trustee's Net Investment Method for determining customer claims. The final resolution of this issue is expected to be determined on appeal.

Should a final and unappealable court order determine that the Trustee is incorrect in his interpretation of "net equity" and its corresponding application to the determination of customer claims, the Trustee will be bound by that order and will apply it retroactively to all previously determined customer claims in accordance with the Court's order. Nothing in this Notice of Trustee's Determination of Claim shall be construed as a waiver of any rights or claims held by you in having your customer claim re-determined in accordance with any such Court order.

Nothing in this Notice of Trustee's Determination of Claim shall be construed as a waiver of any rights or claims held by the Trustee against you.

PLEASE TAKE NOTICE: If you disagree with this determination and desire a hearing before Bankruptcy Judge Burton R. Lifland, you **MUST** file your written opposition, setting forth the grounds for your disagreement, referencing Bankruptcy Case No. 08-1789 (BRL) and attaching copies of any documents in support of your position, with the United States Bankruptcy Court **and** the Trustee within **THIRTY DAYS** after April 22, 2010, the date on which the Trustee mailed this notice.

PLEASE TAKE FURTHER NOTICE: If you do not properly and timely file a written opposition, the Trustee's determination with respect to your claim will be deemed confirmed by the Court and binding on you.

PLEASE TAKE FURTHER NOTICE: If you properly and timely file a written opposition, a hearing date for this controversy will be obtained by the Trustee and you will be notified of that hearing date. Your failure to appear personally or through counsel at such hearing will result in the Trustee's determination with respect to your claim being confirmed by the Court and binding on you.

PLEASE TAKE FURTHER NOTICE: You must mail your opposition, if any, in accordance with the above procedure, to each of the following addresses:

Clerk of the United States Bankruptcy Court for
the Southern District of New York
One Bowling Green
New York, New York 10004

and

Irving H. Picard, Trustee
c/o Baker & Hostetler LLP
45 Rockefeller Plaza
New York, New York 10111



Irving H. Picard

Trustee for the Liquidation of the Business of
Bernard L. Madoff Investment Securities LLC

DATE	TRANSACTION DESCRIPTION	AMOUNT	ADJUSTED AMOUNT
3/31/1981	ALIX: 3/31/1981 Equity	\$109,226.80	\$109,226.80
9/5/1989	CHECK	\$6,710.05	\$6,710.05
6/6/1990	CHECK	\$492.00	\$492.00
6/15/2001	CHECK	\$48,000.00	\$48,000.00
Total Deposits:		\$164,428.85	\$164,428.85

DATE	TRANSACTION DESCRIPTION	AMOUNT	ADJUSTED AMOUNT
5/18/1981	CHECK	\$181.76	\$181.76
7/13/1981	CHECK	(\$3.29)	(\$3.29)
11/5/1981	CHECK	(\$2,062.52)	(\$2,062.52)
8/18/1982	CHECK	(\$14,895.00)	(\$14,895.00)
10/18/1982	CHECK	(\$1,089.46)	(\$1,089.46)
9/7/1984	CHECK	(\$7,658.00)	(\$7,658.00)
9/10/1985	CHECK	(\$18,069.00)	(\$18,069.00)
9/19/1985	CHECK	(\$1,340.00)	(\$1,340.00)
12/27/1985	TRANS TO EMILY CHAIS	(\$13,311.57)	(\$13,311.57)
9/8/1986	CHECK	(\$2,181.00)	(\$2,181.00)
9/10/1987	CHECK	(\$89,967.00)	(\$89,967.00)
4/19/1988	CHECK	(\$177.00)	(\$177.00)
9/12/1988	CHECK	(\$6,570.00)	(\$6,570.00)
4/3/1989	CHECK	(\$7,236.00)	(\$7,236.00)
5/17/1989	CHECK	(\$1,307.00)	(\$1,307.00)
9/5/1989	CHECK	(\$1,307.00)	(\$1,307.00)
12/29/1989	CHECK	(\$1,307.00)	(\$1,307.00)
4/9/1990	CHECK	(\$622.00)	(\$622.00)
4/8/1991	CHECK	(\$2,773.00)	(\$2,773.00)
8/7/1991	CHECK	(\$166.21)	(\$166.21)
3/29/1993	CHECK	(\$400.00)	(\$400.00)
3/31/1993	TRANS TO 1C102530	(\$400.00)	\$0.00
4/6/1993	CHECK	(\$74,045.00)	(\$74,045.00)
3/18/1994	CHECK	(\$157,090.00)	(\$157,090.00)
4/13/1994	CHECK	(\$810.55)	(\$810.55)
4/5/1995	CHECK	(\$2,841.00)	(\$2,841.00)
4/13/1999	CHECK WIRE	(\$983,630.00)	(\$983,630.00)
4/10/2000	CHECK	(\$68,457.00)	(\$68,457.00)
6/12/2000	CHECK	(\$12,000.00)	(\$12,000.00)
9/7/2000	CHECK	(\$12,000.00)	(\$12,000.00)
1/4/2001	CHECK	(\$12,000.00)	(\$12,000.00)

8/24/2001	CHECK	(\$5,715.96)	(\$5,715.96)
4/8/2003	CHECK	(\$1,220,998.00)	(\$1,220,998.00)
3/29/2004	CHECK	(\$90,682.00)	(\$90,682.00)
3/28/2005	CHECK	(\$714,655.00)	(\$714,655.00)
4/11/2006	CHECK	(\$865,527.00)	(\$865,527.00)
4/5/2007	CHECK	(\$171,344.00)	(\$171,344.00)
3/31/2008	CHECK	(\$225,494.00)	(\$225,494.00)
Total Withdrawals:		(\$4,789,949.80)	(\$4,789,549.80)
Total deposits less withdrawals:		(\$4,625,520.95)	(\$4,625,120.95)

EXHIBIT B



BERNARD L. MADOFF
INVESTMENT SECURITIES LLC
New York □ London

885 Third Avenue
New York, NY 10022
(212) 230-2424
800 334-1343
Fax (212) 838-4061

Affiliated with
Madoff Securities International Limited
12 Berkeley Street
Mayfair, London W1J 8DT
Tel 020 7493 6222

EMILY CHAIS ISSUE TRUST 2

08-01789-cg
M
PERIOD ENDING
11/30/08
PAGE
1
YOUR ACCOUNT NUMBER
1-C1025-3-0
YOUR TAX IDENTIFICATION NUMBER
*****9790

DATE	BOUGHT RECEIVED OR LONG	SOLD DELIVERED OR SHORT	TRN	DESCRIPTION	PRICE OR SYMBOL	AMOUNT DEBITED TO YOUR ACCOUNT	AMOUNT CREDITED TO YOUR ACCOUNT
11/03				BALANCE FORWARD			
11/03				AT&T INC DIV 10/10/08 11/03/08	DIV		21,520.00
11/17				CVS CAREMARK CORP DIV 10/21/08 11/03/08	DIV		69,000.00
11/17	275,000	6,000	78174 78230	BIOGEN IDEC INC U S TREASURY BILL DUE 5/14/2009	46.500 99.624	273,966.00	279,000.00
11/18				ANHEUSER-BUSCH COS INC CASH MERGER	DELV		
11/20				U S TREASURY BILL DUE 11/20/08	JRNL DELV		420,000.00
11/20		1,675,000		REDEEMED U S TREASURY BILL DUE 11/20/08	JRNL		1,675,000.00
11/20				REDEEMED FIDELITY SPARTAN U S TREASURY MONEY MARKET	DIV		
11/20		44,505	77046	DIV 11/20/08 FIDELITY SPARTAN U S TREASURY MONEY MARKET CONTINUED ON PAGE 2	1		44,505.00

PLEASE RETAIN THIS STATEMENT FOR INCOME TAX PURPOSES

Exhibit A



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EMILY CHAIS ISSUE TRUST 2

PERIOD ENDING
11/30/08

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2

YOUR ACCOUNT NUMBER
1-C1025-3-0

YOUR TAX PAYER IDENTIFICATION NUMBER
*******9790**

08-01789-0001

DATE	BOUGHT RECEIVED OR LONG	SOLD DELIVERED OR SHORT	TRN	DESCRIPTION	PRICE OR SYMBOL	AMOUNT DEBITED TO YOUR ACCOUNT	AMOUNT CREDITED TO YOUR ACCOUNT
11/20	1,700,000		77067	U S TREASURY BILL DUE 5/21/2009	99.747	1,695,699.00	
11/24				5/21/2009			
11/25				GOLDMAN SACHS GROUP INC			
11/28	14,100		77956	DIV 10/27/08 11/24/08	DIV	417,360.00	
				WYNN RESORTS LTD			
				PEABODY ENERGY CORP	DIV		
				DIV 11/06/08 11/28/08			
11/28	54,509		79197	FIDELITY SPARTAN	1	54,509.00	
				U S TREASURY MONEY MARKET			
				NEW BALANCE			
				SECURITY POSITIONS	MKT PRICE		
	53,800			AT&T INC	28.560		
	22,500			ALTRIA GROUP INC	16.080		
	10,020			CVS CAREMARK CORP	28.930		
	7,200			THE WALT DISNEY CO	22.520		
	750			GOLDMAN SACHS GROUP INC	78.990		
	9,000			HALLIBURTON CO	17.600		
	5,000			JOHNSON & JOHNSON	58.580		
	15,570			KRAFT FOOD INC	27.210		
	21,000			MICROSOFT CORP	20.220		
	9,000			PEABODY ENERGY CORP	23.430		
	54,509			FIDELITY SPARTAN	1		
				U S TREASURY MONEY MARKET			
				CONTINUED ON PAGE 3			

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B and C Pg 9 of 62

Exhibit A



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EMILY CHAIS ISSUE TRUST 2

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YOUR ACCOUNT NUMBER: 1-C1025-3-0
YOUR TAXPAYER IDENTIFICATION NUMBER: *****9790

DATE	BOUGHT RECEIVED OR LONG	SOLD DELIVERED OR SHORT	TRN	DESCRIPTION	PRICE OR SYMBOL	AMOUNT DEBITED TO YOUR ACCOUNT	AMOUNT CREDITED TO YOUR ACCOUNT
	850,000			U S TREASURY BILL DUE 2/12/2009	99.992		
	15,650,000			U S TREASURY BILL DUE 2/12/2009	99.971		
	200,000			U S TREASURY BILL DUE 3/12/2009	99.971		
	2,175,000			U S TREASURY BILL DUE 3/26/2009	99.969		
	5,450,000			U S TREASURY BILL DUE 4/02/2009	99.945		
	1,525,000			U S TREASURY BILL DUE 4/09/2009	99.915		
	275,000			U S TREASURY BILL DUE 4/16/2009	99.828		
	1,700,000			U S TREASURY BILL DUE 5/14/2009	99.831		
	14,100			WYNN RESORTS LTD	39.820		
				MARKET VALUE OF SECURITIES LONG 32,348,035.30			
				SHORT			

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EMILY CHAIS ISSUE TRUST 2

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YOUR ACCOUNT NUMBER
1-C1025-3-0

YOUR TAX PAYER IDENTIFICATION NUMBER
*******9790**

DATE	BOUGHT RECEIVED OR LONG	SOLD DELIVERED OR SHORT	TRN	DESCRIPTION	PRICE OR SYMBOL	AMOUNT DEBITED TO YOUR ACCOUNT	AMOUNT CREDITED TO YOUR ACCOUNT
				YEAR-TO-DATE SUMMARY			
				DIVIDENDS		1,281.08	284,460.91
				MARGIN INTEREST			
				GROSS PROCEEDS FROM SALES			33,189,285.52

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303-1

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B and C Pg 11 of 62

PLEASE RETAIN THIS STATEMENT FOR INCOME TAX PURPOSES

Exhibit A

EXHIBIT C

93CMMADP1

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

-----x

3 UNITED STATES OF AMERICA,

4 v.

09 CR 213 (DC)

5 BERNARD L. MADOFF,

6 Defendant.

7 -----x

8 New York, N.Y.
9 March 12, 2009
10 10:00 a.m.

11 Before:

12 HON. DENNY CHIN,

13 District Judge

14 APPEARANCES

15 LEV L. DASSIN

16 United States Attorney for the
17 Southern District of New York

MARC O. LITT

17 LISA BARONI

18 Assistant United States Attorneys

19 DICKSTEIN SHAPIRO LLP

Attorneys for Defendant

20 BY: IRA LEE SORKIN

DANIEL J. HORWITZ

21 NICOLE P. DE BELLO

MAURO M. WOLFE

22 ALSO PRESENT: STEVEN GARFINKEL, FBI

KEITH KELLY, FBI

23 JULIA SCHULTE HANISH, USDOJ, FBI

24 THEODORE V. CACIOPPI, FBI

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1 (Case called)

2 MR. LITT: Marc Litt for the United States. With me
3 at counsel table are Lisa Baroni, an Assistant U.S. Attorney,
4 and four FBI agents: Steven Garfinkel, Keith Kelly, Julia
5 Hanish, and Ted Cacioppi. Good morning, your Honor.

6 MR. SORKIN: Good morning, your Honor. On behalf of
7 the defendant Bernard L. Madoff, the law firm of Dickstein
8 Shapiro LLP. Mr. Madoff is sitting to my left. To my right is
9 Daniel Horwitz of my firm. To Mr. Madoff's left is Mauro Wolfe
10 from my firm, and to Mr. Wolfe's left is Nicole De Bello from
11 my firm. Good morning.

12 THE COURT: Good morning.

13 Mr. Sorkin, your client is still prepared to plead
14 guilty today as we discussed on Tuesday?

15 MR. SORKIN: Yes, your Honor.

16 THE COURT: Mr. Madoff, if you would stand, please,
17 and the deputy clerk will administer the oath.

18 (Defendant sworn)

19 MR. SORKIN: Your Honor, before you begin the
20 allocution, we have provided the government and the court
21 reporter with a copy of the allocution that Mr. Madoff will
22 read, and we have a copy if the Court wishes to see it as well.

23 THE COURT: Yes. Thank you.

24 MR. SORKIN: May I hand it up?

25 THE COURT: Yes.

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1 This statement is intended to cover all 11 counts?

2 MR. SORKIN: Yes, your Honor. After your Honor goes
3 through, he will give a statement which we believe will cover
4 all the elements. Thank you.

5 THE COURT: Mr. Madoff, do you understand that you are
6 now under oath and that if you answer my questions falsely,
7 your untrue answers may later be used against you in another
8 prosecution for perjury or making false statements?

9 THE DEFENDANT: Yes, I do.

10 THE COURT: Try to keep your voice up so that I can
11 hear you, please.

12 THE DEFENDANT: Yes, I do, your Honor.

13 MR. SORKIN: Can we get some water, your Honor?

14 THE COURT: Yes.

15 MR. LITT: I would note that the defendant has not yet
16 been arraigned on the information.

17 THE COURT: All right. That's true. Technically, we
18 did the first part of it. We never did the final part. Let me
19 just ask the final question.

20 Mr. Madoff, the other day you waived indictment and
21 you consented to being charged by an information of the
22 government, correct?

23 THE DEFENDANT: Yes.

24 THE COURT: And how do you now plead to the
25 information, guilty or not guilty?

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1 THE DEFENDANT: Guilty.

2 THE COURT: Before I accept the plea I will conduct
3 the allocution.

4 Would you state your full name for the record, please.

5 THE DEFENDANT: Bernard L. Madoff.

6 THE COURT: On Tuesday you told me your age and
7 educational background. We talked a little bit about your
8 medical condition. Has your medical condition changed since
9 Tuesday?

10 THE DEFENDANT: No, it has not.

11 THE COURT: In the past 24 hours, have you taken any
12 drugs, medicine, or pills, or have you drunk any alcohol?

13 THE DEFENDANT: No.

14 THE COURT: Is your mind clear today?

15 THE DEFENDANT: Yes, it is.

16 THE COURT: And are you feeling all right today under
17 the circumstances?

18 THE DEFENDANT: Yes, I am.

19 THE COURT: Do either counsel have any doubt as to Mr.
20 Madoff's competence to plead at this time?

21 MR. LITT: The government does not.

22 MR. SORKIN: No, your Honor.

23 THE COURT: Now, Mr. Madoff, as I understand it, you
24 wish to plead guilty today to all 11 counts of the information,
25 is that correct?

93CMMADP1

1 THE DEFENDANT: Yes, it is correct.

2 THE COURT: Have you had a full opportunity to discuss
3 your case with Mr. Sorkin and to discuss the consequences of
4 pleading guilty?

5 THE DEFENDANT: Yes, I have.

6 THE COURT: You told me on Tuesday that you were
7 satisfied with Mr. Sorkin and his representation of you. Are
8 you still satisfied?

9 THE DEFENDANT: Yes, I am.

10 THE COURT: On the basis of Mr. Madoff's responses to
11 my questions and my observations of his demeanor, I find that
12 he is fully competent to enter an informed plea at this time.

13 Now, Mr. Madoff, before I accept any plea from you I
14 am going to ask you some additional questions that are intended
15 to satisfy me that you wish to plead guilty because you are
16 guilty and that you fully understand the consequences of your
17 plea. If you do not understand any of my questions, please ask
18 me or Mr. Sorkin to explain.

19 I am going to describe to you certain rights that you
20 have under the Constitution and laws of the United States. You
21 will be giving up these rights if you plead guilty, so please
22 listen carefully.

23 Under the Constitution and laws of the United States,
24 you have a right to a speedy and public trial by a jury on the
25 charges against you which are contained in the information. If

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1 there were a trial, you would be presumed innocent and the
2 government would be required to prove your guilt by competent
3 evidence beyond a reasonable doubt. You would not have to
4 prove that you were innocent if you were to go to trial.

5 If there were a trial, you would have the right to be
6 represented by an attorney. And if you could not afford one,
7 an attorney would be provided for you free of cost.

8 If there were a trial, you would have a right to see
9 and hear all the witnesses against you and your attorney could
10 cross-examine them. You would have a right to have your
11 attorney object to the government's evidence and to offer
12 evidence on your own behalf if you so desired, and you would
13 have the right to have subpoenas issued or other process used
14 to compel witnesses to testify in your defense.

15 If there were a trial, you would have the right to
16 testify if you wanted to, but no one could force you to testify
17 if you did not want to. Furthermore, no inference or
18 suggestion of guilt could be drawn if you chose not to testify
19 at trial.

20 Mr. Madoff, do you understand each and every one of
21 these rights?

22 THE DEFENDANT: Yes, I do.

23 THE COURT: Do you understand that by pleading guilty
24 today you are giving up each and every one of these rights, you
25 are waiving these rights, and you will have no trial?

93CMMADP1

1 THE DEFENDANT: I do.

2 THE COURT: Do you understand that you have the right
3 even now to refuse to plead guilty?

4 THE DEFENDANT: Yes, I do.

5 THE COURT: You do not have to enter a plea of guilty
6 if you do not want to, for any reason.

7 Do you understand that?

8 THE DEFENDANT: Yes.

9 THE COURT: Now, did you receive a copy of the
10 information?

11 THE DEFENDANT: Yes, I have.

12 THE COURT: And as we discussed on Tuesday and as we
13 discussed a moment ago, do you understand that you have waived
14 your right to be charged by an indictment, which is issued by a
15 grand jury, and you have consented to being charged by the
16 information which is issued by the prosecutor?

17 THE DEFENDANT: Yes.

18 THE COURT: And did you waive that right voluntarily
19 and knowingly?

20 THE DEFENDANT: Yes.

21 THE COURT: Now, I am going to review the counts with
22 you. As we said, the information contains 11 counts.

23 Count One charges securities fraud.

24 Count Two charges investment adviser fraud.

25 Count Three charges mail fraud.

93CMMADP1

1 Count Four charges wire fraud.

2 Count Five charges international money laundering to
3 promote fraud in the sale of securities.

4 Count Six charges international money laundering to
5 conceal the proceeds of fraud in the sale of securities.

6 Count Seven charges money laundering.

7 Count Eight charges making false statements.

8 Count Nine charges perjury.

9 Count Ten charges making a false filing with the
10 Securities and Exchange Commission.

11 And Count Eleven charges theft from an employee
12 benefit plan.

13 Do you understand that those are the charges against
14 you?

15 THE DEFENDANT: Yes, I do.

16 THE COURT: I'll ask the government to advise the
17 defendant of the elements of the crimes.

18 MR. LITT: Yes, your Honor. With respect to Count
19 One, securities fraud --

20 THE COURT: Hold on one second.

21 Mr. Madoff, you can be seated. Pour yourself some
22 water.

23 THE DEFENDANT: Thank you.

24 MR. LITT: With respect to Count One, securities
25 fraud, in order to prove the crime of securities fraud, the

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1 government must establish each of the following three elements
2 beyond a reasonable doubt:

3 First, that in connection with the purchase or sale of
4 a security, the defendant did any one or more of the following:
5 (1) employed a device, scheme, or artifice to defraud or (2)
6 made an untrue statement of a material fact or omitted to state
7 a material fact which made what was said under the
8 circumstances misleading; or (3) engaged in an act, practice,
9 or course of business that operated or would operate as a fraud
10 or deceit upon a purchaser or seller.

11 Second, that the defendant acted knowingly, willfully,
12 and with the intent to defraud;

13 And, third, that the defendant knowingly used or
14 caused to be used any means or instruments of transportation or
15 communication in interstate commerce or the use of the mails in
16 furtherance of the fraudulent conduct.

17 With respect to investment adviser fraud, the
18 government would have to prove beyond a reasonable doubt all
19 four of the following elements: First, that the defendant was
20 an investment adviser; second, that the defendant either (A)
21 employed a device, scheme, or artifice to defraud clients and
22 prospective clients; (B) engaged in a transaction, practice, or
23 course of business which operated as a fraud or deceit upon
24 those clients and prospective clients; or (C) engaged in an
25 act, practice, and course of business that was fraudulent,

93CMMADP1

1 deceptive, and manipulative.

2 Third, that the defendant devised or participated in
3 such alleged device, scheme, or artifice to defraud or engaged
4 in such alleged transaction, practice, or course of business,
5 knowingly, willfully, and with intent to defraud.

6 And, fourth, that the defendant employed such alleged
7 device, scheme, or artifice to defraud or engaged in such
8 alleged transaction, practice, or course of business by use of
9 the mails or other instrumentality of interstate commerce.

10 In order to prove the crime of mail fraud, the
11 government must establish beyond a reasonable doubt the
12 following four elements:

13 First, that at or about the time alleged in the
14 indictment there was a scheme or artifice to defraud in order
15 to obtain property or money by false and fraudulent pretenses,
16 representations, or promises;

17 Second, that the false or fraudulent statements and
18 representations concerned material facts;

19 Third, that the defendant knowingly and willfully
20 devised or participated in the scheme or artifice to defraud
21 with knowledge of its fraudulent nature and with specific
22 intent to defraud;

23 And, fourth, that the United States Mails were used in
24 furtherance of the scheme as specified in the information.

25 In order to prove the crime of wire fraud the

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1 government must establish the following four essential
2 elements:

3 First, that at or about the time alleged in the
4 information there was a scheme or artifice to defraud in order
5 to obtain property or money by false and fraudulent pretenses,
6 representations, or promises;

7 Second, that the false or fraudulent statements and
8 representations concerned material facts;

9 Third, that the defendant knowingly and willfully
10 devised or participated in the scheme or artifice to defraud
11 with knowledge of its fraudulent nature and with specific
12 intent to defraud

13 And, fourth, that interstate or foreign wire
14 facilities were used in furtherance of the scheme to defraud as
15 specified in the information.

16 In order to prove the crime of unlawful transportation
17 of funds or monetary instruments with the intent to promote the
18 carrying on of specified unlawful activity, in violation of
19 Section 1956(a)(2)(A), the government must establish beyond a
20 reasonable doubt each of the following elements:

21 First, that the defendant transported a monetary
22 instrument or funds from a place in the United States to or
23 through a place outside the United States, or to a place in the
24 United States from or through a place outside the United
25 States;

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1 And, second, that the defendant did so with the intent
2 to promote the carrying on of specified unlawful activity.

3 In order to prove the crime of unlawful transportation
4 of funds or monetary instruments to conceal and disguise the
5 proceeds of specified unlawful activity, the government must
6 establish beyond a reasonable doubt each of the following:

7 First, that the defendant transported a monetary
8 instrument or funds from a place in the United States to or
9 through a place outside the United States, or to a place in the
10 United States from or through a place outside the United
11 States;

12 And, second, that the defendant did so with the
13 knowledge that the monetary instrument or funds involved
14 represent the proceeds of some form of unlawful activity;

15 And, third, that the defendant did so with knowledge
16 that the transportation was designed in whole or in part to
17 conceal or disguise the nature, location, source, ownership, or
18 control of the proceeds of securities fraud, mail fraud, wire
19 fraud, and theft from an employee benefit plan.

20 In order to prove the crime of engaging in monetary
21 transactions in property derived from specified unlawful
22 activity in violation of Section 1957, the government must
23 establish the following beyond a reasonable doubt:

24 First, that the defendant engaged or attempted to
25 engage in a monetary transaction in or affecting interstate

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1 commerce;

2 Second, that the monetary transaction involved
3 criminally derived property of a value greater than \$10,000;

4 Third, that the property was derived from specified
5 unlawful activity; in this case, from securities fraud, mail
6 fraud, wire fraud, or theft from a pension benefit plan;

7 Fourth, that the defendant acted knowingly; that is,
8 with knowledge that the transaction involved proceeds of a
9 criminal offense;

10 And, fifth, that the transaction took place in the
11 United States or that the defendant is a United States person.

12 In order to prove the crime of making false statements
13 to the SEC, in violation of 18 U.S.C. 1001, the government must
14 establish the following elements beyond a reasonable doubt:

15 First, that the defendant made a statement or
16 representation;

17 Second, that the statement or representation was
18 material;

19 Third, that the statement or representation was false,
20 fictitious or fraudulent;

21 Fourth, that the false, fictitious or fraudulent
22 statement was made knowingly or willfully;

23 And, fifth, that the statement or representation was
24 made in a matter within the jurisdiction of the government of
25 the United States.

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1 To prove the crime of perjury the government must
2 prove beyond a reasonable doubt each of the following:

3 First, that the defendant took an oath to testify
4 truly before the Securities and Exchange Commission, a body
5 authorized by law to administer oaths;

6 Second, that the defendant made false statements as to
7 matters about which the defendant testified under oath as set
8 forth in the information;

9 Third, that the matters as to which it is charged that
10 the defendant made false statements were material to the issues
11 under inquiry by the Securities and Exchange Commission;

12 And, fourth, that such false statements were willfully
13 made.

14 To prove the offense of making a false filing with the
15 SEC the government must prove beyond a reasonable doubt each of
16 the following:

17 First, that the defendant was required to file an
18 application, report, or document with the SEC under the
19 Securities Exchange Act of 1934 and the rules and regulations
20 thereunder;

21 Second, that the application, report, or document
22 filed with the SEC contained false or misleading statements;

23 Third, that the false or misleading statements were
24 material;

25 And, fourth, that the defendant acted knowingly and

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1 willfully.

2 To prove the offense of theft from an employee pension
3 benefit plan the government must prove beyond a reasonable
4 doubt the following elements:

5 First, that the defendant abstracted or converted to
6 his own use or the use of others the monies, funds, securities,
7 premiums, credits, property, or other assets of an employee
8 welfare benefit plan;

9 Second, that the funds abstracted or converted from --
10 excuse me, that the fund abstracted or converted from was an
11 employee welfare benefit plan within the meaning of the
12 statute;

13 And, third, that the defendant acted knowingly and
14 willfully.

15 THE COURT: Thank you.

16 Mr. Madoff, would you rise again, please.

17 Mr. Madoff, do you understand that if you were to go
18 to trial the government would have to prove all of those
19 elements beyond a reasonable doubt?

20 THE DEFENDANT: Yes, I do.

21 THE COURT: Now I am going to review with you the
22 maximum possible penalties for the crimes in question.

23 Count One charging securities fraud carries a maximum
24 sentence of 20 years' imprisonment, a maximum fine of the
25 greatest of \$5 million, or twice the gross gain or twice the

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1 gross loss, a mandatory special assessment of \$100, and a
2 maximum term of supervised release of three years.

3 In fact, each count carries a mandatory special
4 assessment of \$100, so I am not going to repeat that for each
5 of the 11 counts.

6 Count Two charges investment adviser fraud. It
7 carries a maximum sentence of five years' imprisonment, a
8 maximum fine of the greatest of \$10,000, or twice the gross
9 gain or twice the gross loss, and a maximum term of supervised
10 release of three years.

11 Count Three, the mail fraud count, charges a maximum
12 sentence of 20 years' imprisonment, a maximum fine of the
13 greatest of \$250,000, or twice the gross gain or twice the
14 gross loss, and a maximum term of supervised release of three
15 years.

16 In fact, all 11 counts carry the same maximum term of
17 supervised release of three years, so I won't repeat that
18 either.

19 I'm up to Count Four, the wire fraud count. That
20 carries a maximum sentence of 20 years' imprisonment, a maximum
21 fine of the greatest of \$250,000, or twice the gross gain or
22 twice the gross loss.

23 Count Five, the international money laundering count,
24 the first of those counts, carries a maximum sentence of 20
25 years' imprisonment, a maximum fine of the greatest of

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1 \$500,000, twice the value of the funds involved, or twice the
2 gross gain to any person or twice the pecuniary loss to any
3 person other than yourself.

4 Count Six, the second international money laundering
5 count, carries a maximum sentence of 20 years' imprisonment, a
6 maximum fine of the greatest of \$500,000, or twice the value of
7 the funds involved or twice the gross gain or twice the
8 pecuniary loss.

9 Count Seven, a money laundering count, charges a
10 maximum sentence of ten years' imprisonment, a maximum fine of
11 the greatest of \$250,000, or twice the gross gain or twice the
12 pecuniary loss.

13 Count Eight, which charges making false statements,
14 carries a maximum sentence of five years' imprisonment, a
15 maximum fine of \$250,000, or twice the gross gain or twice the
16 pecuniary loss.

17 Count Nine charges perjury. It carries a maximum
18 sentence of five years' imprisonment, a maximum fine of the
19 greatest of \$250,000, or twice the gross gain or twice the
20 pecuniary loss.

21 Count Ten charges making a false filing with the SEC.
22 It carries a maximum sentence of 20 years' imprisonment, a
23 maximum fine of the greatest of \$5 million, or twice the gross
24 gain or twice the pecuniary loss.

25 Finally, Count Eleven, which charges theft from an

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1 employee benefit plan, carries a maximum sentence of five
2 years' imprisonment, a maximum fine of the greatest of
3 \$250,000, or twice the gross gain or twice the pecuniary loss.

4 Do you understand that those are the possible maximum
5 sentences?

6 THE DEFENDANT: Yes, I do.

7 THE COURT: Now, taking all the counts together, do
8 you understand that the total maximum sentence of incarceration
9 that you face is 150 years' imprisonment?

10 THE DEFENDANT: I do.

11 THE COURT: In addition, do you understand that as
12 part of your sentence I can order restitution to any person or
13 entity injured as a result of your criminal conduct?

14 THE DEFENDANT: Yes.

15 MR. LITT: Your Honor, I would just note that
16 restitution is mandatory, not discretionary.

17 THE COURT: I will order restitution if it's
18 mandatory.

19 You understand that?

20 THE DEFENDANT: I do.

21 THE COURT: I mentioned supervised release. By that I
22 mean that you would be subject to monitoring when you were
23 released from prison under terms and conditions that could lead
24 to reimprisonment without a jury trial if you were to violate
25 them. And if you were to violate the terms of your supervised

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1 release you could be sent back to prison for the entire term of
2 your supervised release.

3 Do you understand that?

4 THE DEFENDANT: Yes.

5 THE COURT: Are you a citizen of the United States?

6 THE DEFENDANT: Yes, I am.

7 THE COURT: Do you understand that as a result of your
8 guilty plea you may lose certain valuable civil rights, such as
9 the right to vote, the right to hold public office, the right
10 to serve on a jury, and the right to possess any kind of
11 firearm?

12 THE DEFENDANT: Yes, I do.

13 THE COURT: Now, have you talked to Mr. Sorkin about
14 the federal sentencing guidelines?

15 THE DEFENDANT: Yes, I have.

16 THE COURT: Do you understand that the guidelines are
17 now advisory only and that they are no longer mandatory?

18 THE DEFENDANT: Yes.

19 THE COURT: Nonetheless, before I can sentence you I
20 still have to determine what your sentencing range is under the
21 guidelines. I can't do that until after the probation
22 department prepares a presentence report and you, your lawyer,
23 and the government have had a chance to review the report and
24 to make any objections.

25 Do you understand that?

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1 THE DEFENDANT: Yes.

2 THE COURT: And even after I decide what your
3 guideline range is, I still have the authority in appropriate
4 circumstances to impose a sentence that is above or below the
5 guideline range.

6 Do you understand that?

7 THE DEFENDANT: I do.

8 THE COURT: Do you understand that parole has been
9 abolished in the federal system and, thus, you would not be
10 released from prison any earlier on parole?

11 THE DEFENDANT: Yes.

12 THE COURT: Do you understand that if your attorneys
13 or anyone else has attempted to predict what your sentence will
14 be that the prediction could be wrong?

15 THE DEFENDANT: Yes.

16 THE COURT: And that is because no one, not your
17 attorney, not the government, can or should make any promises
18 to you as to what your sentence will be as your sentence cannot
19 be decided until after the presentence report is completed, I
20 have ruled on any objections, and I have decided whether there
21 is any basis to go above or below the guideline range.

22 Do you understand that?

23 THE DEFENDANT: Yes.

24 THE COURT: Finally, do you understand that even if
25 your sentence turns out to be different from what your attorney

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1 or anyone else has told you it might be, or even if your
2 sentence turns out to be different from what you expect, you
3 will still be bound to your guilty plea and you will not be
4 allowed to withdraw your plea of guilty?

5 THE DEFENDANT: Yes.

6 THE COURT: Do you understand that by pleading guilty
7 you may be giving up or waiving certain aspects of your right
8 to appeal?

9 THE DEFENDANT: Yes.

10 THE COURT: The government provided your lawyers with
11 a letter, dated March 10, 2009, which we call a Pimentel
12 letter?

13 THE DEFENDANT: Yes.

14 THE COURT: Did you review that with your lawyers?

15 THE DEFENDANT: I did.

16 THE COURT: And that Pimentel letter explains that
17 your guideline sentence is 150 years.

18 Do you understand that?

19 THE DEFENDANT: I do.

20 THE COURT: That's the government's calculation.
21 That's the government's position and you and your lawyers will
22 have the opportunity to comment on that.

23 Do you understand that?

24 THE DEFENDANT: Yes.

25 THE COURT: And do you understand also that this

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1 calculation that's set forth in the government's letter is not
2 binding on the Court?

3 THE DEFENDANT: Yes.

4 THE COURT: Has anyone offered you any inducements or
5 threatened you or forced you to plead guilty?

6 THE DEFENDANT: No.

7 THE COURT: Mr. Sorkin, do you know of any valid
8 defense that would prevail at trial, or do you know any reason
9 why your client should not be permitted to plead guilty?

10 THE DEFENDANT: I do not, your Honor.

11 THE COURT: Mr. Madoff, tell me what you did.

12 MR. SORKIN: Your Honor, may I make one,
13 respectfully -- according to the Pimentel letter, we agree that
14 while the maximum statutory penalty in terms of imprisonment is
15 150 years, the guideline range -- and this can be found on page
16 6 of the Pimentel letter -- is life imprisonment. The criminal
17 history category I yields a sentencing range of life
18 imprisonment.

19 THE COURT: I understand. But the government goes on
20 further to take the position that when a count does not permit
21 life, then you look at the statutory maximum. That's the
22 government's position.

23 MR. SORKIN: I just want to make sure Mr. Madoff
24 understood that. Thank you, your Honor.

25 THE COURT: Mr. Madoff, you understand that?

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1 THE DEFENDANT: Yes, I do.

2 THE COURT: Technically, the guideline range is life,
3 but none of the counts in question carries a sentence that can
4 go up to life. The top is 20 years. According to the
5 government, in that circumstance then the guideline range is
6 the maximum and the government's position is that the guideline
7 range is 150 years. Again, I don't know whether Mr. Sorkin
8 agrees or disagrees, but we will deal with that before
9 sentencing.

10 MR. SORKIN: Thank you, your Honor.

11 THE COURT: Mr. Madoff, would you tell me what you
12 did, please.

13 THE DEFENDANT: Yes, your Honor.

14 Your Honor, for many years up until my arrest on
15 December 11, 2008, I operated a Ponzi scheme through the
16 investment advisory side of my business, Bernard L. Madoff
17 Securities LLC, which was located here in Manhattan, New York,
18 at 885 Third Avenue. I am actually grateful for this
19 opportunity to publicly speak about my crimes, for which I am
20 so deeply sorry and ashamed. As I engaged in my fraud, I knew
21 what I was doing wrong, indeed criminal. When I began the
22 Ponzi scheme I believed it would end shortly and I would be
23 able to extricate myself and my clients from the scheme.
24 However, this proved difficult, and ultimately impossible, and
25 as the years went by I realized that my arrest and this day

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1 would inevitably come. I am painfully aware that I have deeply
2 hurt many, many people, including the members of my family, my
3 closest friends, business associates, and the thousands of
4 clients who gave me their money. I cannot adequately express
5 how sorry I am for what I have done. I am here today to accept
6 responsibility for my crimes by pleading guilty and, with this
7 plea allocution, explain the means by which I carried out and
8 concealed my fraud.

9 The essence of my scheme was that I represented to
10 clients and prospective clients who wished to open investment
11 advisory and individual trading accounts with me that I would
12 invest their money in shares of common stock, options, and
13 other securities of large well-known corporations, and upon
14 request, would return to them their profits and principal.
15 Those representations were false for many years. Up until I
16 was arrested on December 11, 2008, I never invested these funds
17 in the securities, as I had promised. Instead, those funds
18 were deposited in a bank account at Chase Manhattan Bank. When
19 clients wished to receive the profits they believed they had
20 earned with me or to redeem their principal, I used the money
21 in the Chase Manhattan bank account that belonged to them or
22 other clients to pay the requested funds. The victims of my
23 scheme included individuals, charitable organizations, trusts,
24 pension funds, and hedge funds. Among other means, I obtained
25 their funds through interstate wire transfers they sent from

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1 financial institutions located outside New York State to the
2 bank account of my investment advisory business, located in
3 Manhattan, New York, and through mailings delivered by the
4 United States Postal Service and private interstate carriers to
5 my firm here in Manhattan.

6 I want to emphasize today that while my investment
7 advisory business, the vehicle of my wrongdoing, was part of my
8 firm, Bernard L. Madoff Securities, the other businesses my
9 firm engaged in, proprietary trading and market making, were
10 legitimate, profitable, and successful in all respects. Those
11 businesses were managed by my brother and two sons.

12 To the best of my recollection, my fraud began in the
13 early 1990s. At that time, the country was in a recession and
14 this posed a problem for investments in the securities markets.
15 Nevertheless, I had received investment commitments from
16 certain institutional clients and understood that those
17 clients, like all professional investors, expected to see their
18 investments out-perform the market. While I never promised a
19 specific rate of return to my client, I felt compelled to
20 satisfy my clients' expectations, at any cost. I therefore
21 claimed that I employed an investment strategy I had developed,
22 called the split strike conversion strategy, to falsely give
23 the appearance to clients that I had achieved the results I
24 believed they expected.

25 Through the split strike conversion strategy I

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1 promised to clients and prospective clients that client funds
2 would be invested in a basket of common stocks within the
3 Standard & Poors 100 index, a collection of the 100 largest
4 publicly-traded companies in terms of their market
5 capitalization. I promised that I would select a basket of
6 stocks that would closely mimic the price movements of the
7 Standard & Poors 100 index. I promised that I would
8 opportunistically time those purchases and would be out of the
9 market intermittently, investing client funds during these
10 periods in United States Government-issued securities, such as
11 United States Treasury bills. In addition, I promised that as
12 part of the split strike conversion strategy, I would hedge the
13 investments I made in the basket of common stocks by using
14 client funds to buy and sell option contracts related to those
15 stocks, thereby limiting potential client losses caused by
16 unpredictable changes in stock prices. In fact, I never made
17 those investments I promised clients, who believed they were
18 invested with me in the split strike conversion strategy.

19 To conceal my fraud, I misrepresented to clients,
20 employees, and others that I purchased securities for clients
21 in overseas markets. Indeed, when the United States Securities
22 and Exchange Commission asked me to testify as part of an
23 investigation they were conducting about my investment advisory
24 business, I knowingly gave false testimony under oath to the
25 staff of the SEC on May 19, 2006 that I executed trades of

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1 common stock on behalf of my investment advisory clients and
2 that I purchased and sold the equities that were part of my
3 investment strategy in European markets. In that session with
4 the SEC, which took place here in Manhattan, New York, I also
5 knowingly gave false testimony under oath that I had executed
6 options contracts on behalf of my investment advisory clients
7 and that my firm had custody of the assets managed on behalf of
8 my investment advisory clients.

9 To further cover up the fact that I had not executed
10 trades on behalf of my investment advisory clients, I knowingly
11 caused false trading confirmations and client account
12 statements that reflected the bogus transactions and positions
13 to be created and sent to clients purportedly involved in the
14 split strike conversion strategy, as well as other individual
15 clients I defrauded who believed they had invested in
16 securities through me. The clients receiving trade
17 confirmations and account statements had no way of knowing by
18 reviewing these documents that I had never engaged in
19 transactions represented on the statements and confirmations.
20 I knew those false statements and account statements would be
21 and were sent to clients through the U.S. Mails from my office
22 here in Manhattan.

23 Another way that I concealed my fraud was through the
24 filing of false and misleading certified annual reports and
25 financial statements -- excuse me. Another way that I

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1 concealed my fraud was through the filing of false and
2 misleading certified audit reports and financial statements
3 with the SEC. I knew that these audit reports and financial
4 statements were false and that they would also be sent to
5 clients. These reports, which were prepared here in the
6 Southern District of New York, among other things, falsely
7 reflected my firm's liabilities as a result of my intentional
8 failure to purchase securities on behalf of my advisory
9 clients.

10 Similarly, when I recently caused my firm in 2006 to
11 register as an investment adviser with the SEC, I subsequently
12 filed with the SEC a document called the form ADV uniform
13 application for investment adviser registration. On this form
14 I intentionally and falsely certified under penalty of perjury
15 that Bernard L. Madoff Investment Securities had custody of my
16 advisory clients' securities. That was not true, and I knew it
17 when I completed and filed the form with the SEC, which I did
18 from my office on the 17th floor of 885 Third Avenue, here in
19 Manhattan.

20 In more recent years, I used yet another method to
21 conceal my fraud. I wired money between the United States and
22 the United Kingdom to make it appear as though there were
23 actual securities transactions executed on behalf of my
24 investment advisory clients. Specifically, I had money
25 transferred from the U.S. bank account of my investment

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1 advisory business to the London bank account of Madoff
2 Securities International Limited, a United Kingdom corporation
3 that was an affiliate of my business in New York. Madoff
4 Securities International Limited was principally engaged in
5 proprietary trading and was a legitimate, honestly run and
6 operated business. Nevertheless, to support my false statement
7 that I purchased and sold securities for my investment advisory
8 clients in European markets, I caused money from the bank
9 account of my fraudulent advisory business, located here in
10 Manhattan, to be wire transferred to the London bank account of
11 Madoff Securities International Limited.

12 There were also times in recent years when I had
13 money, which had originated in the New York Chase Manhattan
14 bank account of my investment advisory business, transferred
15 from the London bank account of Madoff Securities International
16 Limited to the Bank of New York operating bank account of my
17 firm's legitimate proprietary and market making business. That
18 Bank of New York account was located in New York. I did this
19 as a way of ensuring that the expenses associated with the
20 operation of the fraudulent investment advisory business would
21 not be paid from the operations of the legitimate proprietary
22 trading and market making businesses.

23 In connection with the purported trades, I caused the
24 fraudulent investment advisory side of my business to charge
25 the investment advisory clients four cents per share as a

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1 commission. At times in the last few years, these commissions
2 were transferred from Chase Manhattan bank account of the
3 fraudulent investment advisory side of my firm to the account
4 at Bank of New York, which was the operating account for the
5 legitimate side of Bernard L. Madoff Investment Securities, the
6 proprietary trading and market making side of my firm. I did
7 this to ensure that the expenses associated with the operation
8 of my fraudulent investment advisory business would not be paid
9 from the operations of the legitimate proprietary trading and
10 market making business. It is my belief that the salaries and
11 bonuses of the personnel involved in the operation of the
12 legitimate side of Bernard L. Madoff Investment Securities were
13 funded by the operations of the firm's successful proprietary
14 trading and market making businesses.

15 Your Honor, I hope I have conveyed with some
16 particularity in my own words the crimes I committed and the
17 means by which I committed them. Thank you, your Honor.

18 THE COURT: Thank you, Mr. Madoff.

19 Mr. Sorkin, I don't think there was mention of an
20 employee benefit plan.

21 MR. SORKIN: The pension fund was mentioned, your
22 Honor.

23 THE COURT: What page that?

24 MR. SORKIN: I think it's page 2. If you look at the
25 top, the victim -- I'm quoting -- the victims of my scheme

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1 included individuals, charitable organizations, trusts, pension
2 funds, and hedge funds.

3 THE COURT: I see.

4 And those pension funds include employee welfare
5 benefit plans?

6 MR. SORKIN: Yes, your Honor.

7 Is that correct?

8 THE DEFENDANT: Yes.

9 THE COURT: Mr. Madoff, you can be seated for a
10 moment.

11 Does the government believe that Mr. Madoff's
12 admissions cover the elements of the crimes of each count?

13 MR. LITT: Yes, your Honor. The government does not
14 entirely agree with all of the defendant's description of his
15 conduct. However, the government does believe that his
16 allocution does cover each of the elements of the charged
17 offenses.

18 THE COURT: Would you summarize what the government's
19 evidence would be if the defendant were to go to trial?

20 MR. LITT: Yes.

21 Had this case proceeded to trial, the government would
22 have proven through testimony and evidence beyond a reasonable
23 doubt all of the facts set forth in the criminal information.

24 In summary, the government would have proven the
25 following: The defendant operated a massive Ponzi scheme

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1 through his company, Bernard L. Madoff Investment Securities,
2 beginning at least as early as the 1980s. Over the decades
3 working from his New York City office and elsewhere, Madoff
4 solicited and caused others to solicit prospective clients to
5 open accounts with his company. His clients included
6 individuals, charitable organizations, trusts, pension funds,
7 and hedge funds, among others, and those clients were also his
8 victims.

9 Madoff told those clients that he would invest their
10 funds in publicly-traded securities, options, and treasury
11 bills. In fact, over the life of his scheme Madoff did not buy
12 stocks or options as he had promised. Instead, Madoff used
13 client funds to pay other clients who sought to redeem their
14 investments, and used so-called commission revenue generated by
15 charging clients four cents per share for shares that he never,
16 in fact, purchased to generate revenue for his firm. At times,
17 his firm would have been unable to operate but for the cash
18 generated from this Ponzi scheme. Madoff repeatedly lied to
19 clients in person, on telephone calls, and through mailings,
20 including account statements and confirmations of purchases and
21 sales of securities that he mailed through the U.S. Postal
22 Service.

23 Some investors sent checks to Madoff through the
24 mails, others wired money to Madoff, and many of those wires
25 came from outside New York State into the Southern District of

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1 New York. Madoff also caused hundreds of millions of dollars
2 of client funds to be wired overseas to accounts in London.
3 Some of that money was sent back to his firm and used to pay
4 its expenses. Other money was sent back and forth between New
5 York and London to give the false impression that he was
6 actually buying and selling securities in European markets
7 when, in fact, he was not.

8 Madoff also used some of the money funneled through
9 London to support his lavish lifestyle. Madoff also used other
10 means of deception to hide his scheme. He lied when he told
11 clients that he was purchasing securities on their behalf.

12 He also lied to regulators, including the SEC. He
13 filed false and fraudulent certified financial statements with
14 the SEC that failed to disclose his fraud scheme, failed to
15 disclose his liabilities to the victims of his Ponzi scheme,
16 and contained false certifications that the audited statements
17 had been prepared in accordance with generally-accepted
18 auditing standards and principles.

19 Mr. Madoff lied in a form that he was required to file
20 with the SEC as an investment adviser, claiming that his
21 company had custody of client securities when, in fact, he had
22 not purchased any securities for those clients.

23 He also lied at least seven separate times in an SEC
24 deposition in 2006.

25 At the end, Madoff told his clients that he was

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1 holding nearly \$65 billion in securities on behalf of those
2 clients. In fact, he had only a small fraction of that amount.

3 (Continued on next page)

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1 THE COURT: Thank you. Mr. Madoff, please stand.

2 When you did the things you told me you did in your
3 statement, did you know that what you were doing was wrong and
4 illegal?

5 THE DEFENDANT: Yes, I did, your Honor.

6 THE COURT: How do you now plead to Count One of the
7 information, guilty or not guilty?

8 THE DEFENDANT: Guilty.

9 THE COURT: How do you now plead to Count Two of the
10 information, guilty or not guilty?

11 THE DEFENDANT: Guilty.

12 THE COURT: How do you now plead to Count Three,
13 guilty or not guilty?

14 THE DEFENDANT: Guilty.

15 THE COURT: How do you now plead to Count Four, guilty
16 or not guilty?

17 THE DEFENDANT: Guilty.

18 THE COURT: How do you now plead to Count Five, guilty
19 or not guilty?

20 THE DEFENDANT: Guilty.

21 THE COURT: How do you now plead to Count Six, guilty
22 or not guilty?

23 THE DEFENDANT: Guilty.

24 THE COURT: How do you now plead to Count Seven,
25 guilty or not guilty?

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1 THE DEFENDANT: Guilty.

2 THE COURT: How do you plead to Count Eight, guilty or
3 not guilty?

4 THE DEFENDANT: Guilty.

5 THE COURT: How do you plead to Count Nine, guilty or
6 not guilty?

7 THE DEFENDANT: Guilty.

8 THE COURT: How do you now plead to Count Ten, guilty
9 or not guilty?

10 THE DEFENDANT: Guilty.

11 THE COURT: And finally, how do you now plead to Count
12 Eleven, guilty or not guilty?

13 THE DEFENDANT: Guilty, your Honor.

14 THE COURT: Did you do the things that you are charged
15 with doing in all 11 counts of the information?

16 THE DEFENDANT: Yes, I did, your Honor.

17 THE COURT: And are you pleading guilty because you
18 are guilty?

19 THE DEFENDANT: Yes, I am.

20 THE COURT: Are you pleading guilty voluntarily and of
21 your own free will?

22 THE DEFENDANT: Yes, I am.

23 THE COURT: All right. Mr. Madoff, you may be seated.

24 Based on what I have heard, I am inclined to accept
25 Mr. Madoff's guilty plea.

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1 As I stated the other day, the government received a
2 number of e-mails from victims objecting to any plea bargain or
3 any plea deal. As it is clear that there is no plea bargain or
4 plea deal, there is no basis for these objections. At this
5 time, nonetheless, if there is any victim who signed our
6 sign-in sheet who wishes to be heard on the question of whether
7 I should accept Mr. Madoff's guilty plea, you can have a chance
8 to speak now. We have a list.

9 Mr. Nierenberg, do you want to speak?

10 MR. NIERENBERG: Yes.

11 THE COURT: All right, sir. Come to the microphone.
12 And remember that today is not the sentencing. Victims will
13 have a chance to speak at sentencing. Go ahead.

14 MR. NIERENBERG: I am one of the many victims of
15 Madoff's egregious crimes. I don't know whether you had a
16 chance to turn around and look at the victims --

17 THE COURT: Mr. Nierenberg, Mr. Nierenberg --

18 MR. NIERENBERG: I just wanted to --

19 THE COURT: Remain at the podium, please.

20 MR. NIERENBERG: All right. I know that the
21 operation -- Madoff's operation was massive, that he didn't
22 commit these crimes alone, and I don't understand why
23 conspiracy is not a part of one of his pleas. Just to produce
24 the reams of documents that were received and the elaborate
25 data that went into them must have required an army of people

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1 to produce. And we all know that Madoff wasn't around a lot at
2 his operation. There were other people that were there who
3 handled it when he was gone. I --

4 THE COURT: I gather your point is that I should
5 reject the plea because the government has not charged
6 conspiracy?

7 MR. NIERENBERG: No. The question is -- I'm not
8 suggesting that you reject the plea. What I'm suggesting is
9 that there's an additional crime that was committed that wasn't
10 included in the plea that needs to be considered.

11 THE COURT: All right. What I want to hear from now
12 are victims who object to my accepting the plea.

13 MR. NIERENBERG: Okay.

14 THE COURT: Do you object to my accepting the plea?

15 MR. NIERENBERG: No, I don't.

16 THE COURT: Well, thank you, then. You can have your
17 seat.

18 MR. NIERENBERG: Okay.

19 THE COURT: Mark Labianca? No.

20 Brian Felsen? Mr. Felsen, do you want to be heard?

21 MR. FELSEN: I would like to be heard, but I do not
22 object to the plea.

23 THE COURT: All right. If you want to be heard with
24 respect to sentencing, we will make sure we have procedures to
25 give victims an opportunity to be heard at sentencing.

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1 MR. FELSEN: Okay.

2 THE COURT: All right. Thank you.

3 Bennett Goldwait? I can't quite read the handwriting.

4 MR. GOLDWORTH: Goldworth. No thank you.

5 THE COURT: Ronnie Sue and Dominic Ambrosino, do you
6 wish to be heard?

7 MS. AMBROSINO: Yes, I do.

8 THE COURT: All right. Come forward, please. And say
9 your name again when you get to the microphone.

10 MS. AMBROSINO: My name is Ronnie Sue Ambrosino, and I
11 would object to the plea -- I just need to find a spot. I have
12 taken a lot of notes. Judge, I believe that you have the
13 opportunity today to find out information as to where the money
14 is and to find out who else may be involved in this crime. And
15 if that plea is accepted without those two pieces of
16 information, then I do object. If you can ascertain that you
17 can get those two pieces of information, I would love to see
18 this man, who admits that he lied under oath in May of 2006 and
19 sat here and took an oath today -- I would like to see him
20 guilty.

21 THE COURT: All right. Thank you.

22 MS. AMBROSINO: Thank you, sir.

23 THE COURT: Maureen Aebel? Go ahead.

24 MS. AEBEL: Judge Chin, I would like to present you
25 with a different scenario that our country could witness if you

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1 reject Mr. Madoff's plea. If we go to trial, we will show our
2 people in this struggling country and the world, who looks to
3 us as the global moral leader, that we hold all people
4 accountable. If we go to trial, we can show all our world that
5 all crimes, all crimes, including crimes of greed, can be
6 dissected, ruled upon, and punished. And we can demonstrate
7 that we are a country that can learn from our mistakes, and we
8 will be then able to reexamine and improve the mechanisms that
9 exist for our protection that have failed so completely. If we
10 go to trial, we have more of a chance to comprehend the global
11 scope of this horrendous crime. At trial we can hear and bear
12 witness to the pain that Mr. Madoff has inflicted on the young,
13 the old, and the infirmed. No man, no matter who he knows or
14 who he is able to influence, is above the law. Thank you,
15 Judge Chin.

16 THE COURT: Thank you. All right. That is it with
17 respect to the victims who signed up on the acceptance of the
18 plea. Does the government or the defense want to respond to
19 anything? Does the government want to respond to anything?

20 MR. LITT: May I just have a moment?

21 THE COURT: Yes.

22 MR. LITT: I think the only thing the government would
23 say is that the government's investigation continues. It is
24 continuing. A lot of resources and effort are being expended,
25 both to find assets and to find anyone else who may be

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1 responsible for this fraud.

2 THE COURT: Thank you. Mr. Sorkin?

3 MR. SORKIN: Nothing at this time, your Honor. Thank
4 you.

5 THE COURT: First of all, I appreciate the comments
6 from the victims. With respect to Ms. Ambrosino's comments
7 about where the money is, as the government has just said, it
8 is continuing its investigation, and this guilty plea certainly
9 does not preclude the government from proceeding.

10 With respect to Ms. Aebel's comment about how a trial
11 would show the world that we hold all people accountable, I
12 believe that these proceedings will do the same thing.

13 Mr. Madoff, please stand. I am accepting the plea.
14 Mr. Madoff, because you acknowledge that you are guilty as
15 charged in Counts One through Eleven of the information,
16 because you know your rights and are waiving them, because your
17 plea is entered knowingly and voluntarily and is supported by
18 an independent basis in fact for each of the elements of the 11
19 offenses, I accept your guilty plea and adjudge you guilty on
20 Counts One through Eleven of the information. You can be
21 seated.

22 Mr. Madoff, the probation department will prepare a
23 presentence report to assist me in sentencing you. You will be
24 interviewed by the probation department, and it is important
25 that you give the probation officer truthful and accurate

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1 information, for the report is important in my decision as to
2 what your sentence will be. You and your attorney have a right
3 and will have an opportunity to review the report, to challenge
4 or comment upon it and to speak on your behalf before
5 sentencing.

6 Sentencing is set for June 16th at 1:30 p.m.

7 Turning to bail, is the government requesting that I
8 remand Mr. Madoff pending sentencing?

9 MR. LITT: Yes. The government moves for remand at
10 this time pursuant to 18 USC 3143, which puts the burden on the
11 defendant to show by clear and convincing evidence that he can
12 be trusted to appear for future court appearances.

13 The defendant has now pled guilty and been found
14 guilty of 11 -- or does the Court wish to hear argument now
15 or --

16 THE COURT: Well, let me ask Mr. Sorkin whether he
17 opposes remand.

18 MR. SORKIN: We do, your Honor, and I'd like to be
19 heard on that point.

20 THE COURT: Let me hear from Mr. Sorkin.

21 MR. SORKIN: Thank you, your Honor. May I go to the
22 podium, your Honor?

23 THE COURT: Yes, wherever you would like.

24 MR. SORKIN: Thank you. Thank you, your Honor. Your
25 Honor, let me take just a little bit of while, because I want

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1 to review the history of the bail as it related to this case.

2 THE COURT: Yes. The government provided me with the
3 transcripts and the letter briefs, and I've reviewed them too.

4 MR. SORKIN: I'm not going to go through every one of
5 them, but I think it's important that I list the chronology and
6 how we got to this point today.

7 THE COURT: That's fine. That's fine.

8 MR. SORKIN: Your Honor, this case started when
9 Mr. Madoff on December 10th confessed his wrongdoing to his two
10 sons, knowing full well that his two sons were going to turn
11 him in. He didn't run. He didn't attempt to flee at that
12 time. When he was arrested by the FBI the next morning, he
13 confessed to the FBI.

14 He appeared on December 11th before Magistrate Judge
15 Eaton, and a personal recognizance bond of ten million dollars
16 was signed by Mr. Madoff and his wife. There were three
17 additional cosigners that were required, and it was secured by
18 Mr. Madoff's residence in Manhattan. Surrender of Mr. Madoff's
19 travel documents took place, and his travel was restricted to
20 the Southern and Eastern Districts of New York and the District
21 of Connecticut.

22 The Pretrial Services at the time, your Honor, did not
23 recommend in its initial recommendation that Mr. Madoff be
24 remanded, and I add additionally that the government had no
25 difference and no objection with any of the conditions that

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1 were imposed on December 11th. That was before Magistrate
2 Judge Eaton.

3 On December 17th, your Honor, before another
4 magistrate judge, Magistrate Judge Gorenstein, Mr. Madoff --
5 and it was ratcheted up -- was placed on home detention in his
6 apartment with electronic ankle bracelet monitoring. He was
7 permitted to travel only to his attorney's offices and to the
8 court. A curfew of 7:00 p.m. through 9:00 a.m. was imposed,
9 and this was done in addition to the entry of confession of
10 judgments with respect to his wife's properties on Montauk, New
11 York, and Palm Beach, Florida, a surrender of Mrs. Madoff's
12 passport and a reduction of the number of cosigners on the bond
13 from four to two. This, too, your Honor, was consented to by
14 the government. Indeed, I believe it was done by stipulation
15 without argument before Magistrate Judge Gorenstein.

16 On December 19th, again, on consent of the government,
17 a ten million dollar personal recognizance bond was signed by
18 Mr. Madoff, his wife, and his brother, secured by confessions
19 of judgment on his wife's properties in Montauk, in New York,
20 and Palm Beach. The passports of both Mrs. Madoff had already
21 been surrendered, and other than scheduled court appearances,
22 Mr. Madoff was confined to his home 24 hours a day. He was no
23 longer permitted to visit his counsel. And they had, in
24 addition to the 24-hour-a-day confinement, an electronic
25 monitoring device, which is still attached to his ankle.

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1 At his wife's own expense --

2 THE COURT: Would the audience please remain quiet.

3 Go ahead.

4 MR. SORKIN: Because Mr. Madoff's assets were all
5 frozen, but his wife's were not, although she later voluntarily
6 committed to a freeze of her assets under certain restrictions.
7 So with the government's consent, Mrs. Madoff's own assets,
8 which were not frozen by Judge Stanton or any judge in this
9 court -- she agreed to pay a security firm acceptable to the
10 government to provide the following services to prevent harm or
11 flight.

12 And with these unfrozen assets, not objected to by the
13 government, Mr. Madoff has round-the-clock monitoring at his
14 building 24 hours a day, including video monitoring of all of
15 his apartment, doors, communications devices, and services
16 permitting security to send a direct signal from an observation
17 post to the FBI in the event of even the suspicion of harm or
18 flight. This is known as a panic button. There are additional
19 guards available on request, if necessary, to prevent flight or
20 harm, both inflicted by Mr. Madoff -- I'm dealing with the
21 danger to the community issue -- and also harm to Mr. Madoff.

22 On January 12th, your Honor -- and again, this was by
23 consent of the government. On January 12th, Magistrate Judge
24 Ronald Ellis imposed additional restrictions. This was
25 briefed, as your Honor well knows. It was argued by Magistrate

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1 Judge Ellis. And on that date, Magistrate Judge Ellis
2 incorporated the restrictions set forth in the order of Judge
3 Stanton, who has jurisdiction over the SEC matter, including
4 restrictions on the transfer of all property whatsoever
5 wherever located in the possession or under the control of
6 Mr. Madoff. And that was part of the SEC consent under the TRO
7 and also the consent under the preliminary injunction, which
8 Mr. Madoff consented to. Magistrate Judge Ellis incorporated
9 these restrictions to a voluntary restraint agreement, which
10 the government agreed to, involving Mrs. Madoff's assets and
11 restricted the transfer of all assets owned by her voluntarily,
12 your Honor.

13 Additionally, Magistrate Judge Ellis directed the
14 compilation of an inventory of all valuable portable items in
15 the Manhattan home, which is to be checked once every two weeks
16 by government-approved security, who are also required to
17 inspect all outgoing mail.

18 The government appealed Magistrate Judge Ellis'
19 ruling, and before District Judge Lawrence McKenna on January
20 16th, 2009, argument was held. The matter was briefed, and
21 Judge McKenna added additional conditions: One, a compilation
22 of any inventory of all valuable portable items in the homes in
23 Montauk, Palm Beach, as well as any property owned by
24 Mrs. Madoff in a small residence in France.

25 I quote, which your Honor, I'm sure, has read, from

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1 Judge McKenna's statement in court after hearing argument and
2 seeing papers, that, quote -- and this is from Judge McKenna --
3 I think the chances of Mr. Madoff fleeing at this point are as
4 close to nil as you can get in any bail package, period,
5 unquote.

6 Now, nothing has changed, your Honor, and I agree it
7 has changed substantially in terms of the plea. And I agree
8 with Mr. Litt that the burden is upon us to show by clear and
9 convincing evidence that Mr. Madoff is neither a flight risk
10 nor a risk to the community.

11 As far as we are aware, your Honor, Pretrial Services
12 has not found that Mr. Madoff has been negligent or careless in
13 complying with all of the bail conditions. There has been no
14 incident at all, as far as we are aware, that has been conveyed
15 to us by Pretrial or the government that Mr. Madoff has
16 attempted at any time to flee or certainly, which the
17 government conceded before Magistrate Judge Ellis and Judge
18 McKenna, posed any risk of harm. The argument before Judge
19 Ellis and Judge McKenna was the risk of harm was in the
20 financial world, that he would dissipate assets. That was
21 taken care of, your Honor, respectfully, by Magistrate Judge
22 Ellis and by Judge McKenna. All mail going out, all packages
23 going out are inspected by the security firm approved by the
24 government.

25 I respectfully submit, your Honor, that the change has

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1 been the media attention and the increased and, in many cases,
2 justifiable anger by people who claim they lost money, but the
3 Bail Reform Act doesn't deal with those two issues. I do not
4 believe, your Honor, that the precedent set in this court where
5 such individuals as Rigas in the Adelphia case, Ebbers in the
6 WorldCom case, Messrs. Skilling and Lay -- Mr. Lay passed away
7 before sentencing -- all of whom were facing substantial years
8 in prison, Rigas and Ebbers in this court, Mr. Skilling in
9 Texas. All were released on bail pending sentence. All went
10 to trial but did not plead guilty, and all, your Honor, as far
11 as I am aware, never once confessed at the get-go to the
12 wrongdoing that you heard Mr. Madoff confess to today.

13 So I would respectfully submit, your Honor, that there
14 is no chance that Mr. Madoff will certainly be a risk to the
15 community, a danger to the community. And his risk of
16 flight -- and I agree with Judge McKenna -- is virtually nil
17 with all of the restrictions that have been imposed on him. So
18 I respectfully request that his bail be continued.

19 I would also add, your Honor -- again, I refer to the
20 Bail Reform Act as not being relevant on those two other
21 issues. What is also relevant, your Honor, is that Mr. Madoff
22 is going to have the opportunity, I am sure, if the government
23 and the defense can come to some agreement, to review literally
24 thousands of thousands of documents which the trustee and the
25 government have been reviewing to discover where this

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1 forfeiture number comes from. And we've been able to
2 communicate with him in his apartment, and I think that is a
3 factor that your Honor should consider, even though that is not
4 my argument with respect to the Bail Reform Act. I think we
5 have met all the conditions under the act.

6 So by clear and convincing evidence, I don't think he
7 is a risk of either danger to the community, flight, and I
8 would respectfully request that his bail be continued. Thank
9 you, your Honor.

10 THE COURT: I don't need to hear from the government.
11 It is my intention to remand Mr. Madoff.

12 Please, ladies and gentlemen, please.

13 Now, I have a number of people who signed in who
14 wanted to be heard on the issue of bail, and I think you should
15 only be heard if you object to remand.

16 Adriane Biondo? Mr. Ross? Helen Chaitman?

17 MS. CHAITMAN: No objection.

18 THE COURT: Donald Schupak?

19 MR. SCHUPAK: I do not object.

20 THE COURT: Mark Labianca?

21 MR. LABIANCA: I do not object.

22 THE COURT: Sharon Lissauer?

23 As Mr. Madoff has pled guilty, he is no longer
24 entitled to the presumption of innocence. The exposure is
25 great, 150 years in prison. In light of Mr. Madoff's age, he

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1 has an incentive to flee, he has the means to flee, and thus,
2 he presents a risk of flight. Bail is revoked, and the
3 defendant is remanded.

4 MR. SORKIN: Your Honor, would your Honor consider,
5 respectfully, a stay so that we might appeal your Honor's bail
6 decision? We intend to do it expeditiously.

7 THE COURT: The request for a stay is denied.

8 MR. SORKIN: Thank you.

9 THE COURT: Sentencing, as I said, is set for June
10 16th, 1:30 p.m. Some of the victims may wonder why do we need
11 so much time. Well, the probation department has to prepare a
12 presentence report. By law, the defendant is entitled to 35
13 days to review the presentence report before sentencing. We
14 also have to give the parties an opportunity to submit written
15 materials.

16 Mr. Madoff, I will see you at sentencing. We are
17 adjourned.

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